

Mr. Wilson K. Dillard, Administrator
Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home
340 Cedar Springs Road
Spartanburg, South Carolina 29302-4697

Re: AC# 3-MTN-J7 – Community Services for the Aging, Inc.
D/b/a Mountainview Nursing Home

Dear Mr. Dillard:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sj

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**COMMUNITY SERVICES FOR THE AGING, INC.
D/B/A MOUNTAINVIEW NURSING HOME**

SPARTANBURG, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-MTN-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 12, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home, for the contract periods beginning October 1, 1998 and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Community Services for the Aging, Inc. d/b/a Mountainview Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 12, 1999

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract periods beginning October 1, 1998, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

MOUNTAINVIEW NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-MTN-J7

	<u>10/01/98- 11/30/98</u>	<u>Beginning 12/01/98</u>
Interim reimbursement rate (1)	\$92.23	\$92.98
Adjusted reimbursement rate	<u>91.66</u>	<u>92.41</u>
Decrease in reimbursement rate	\$ <u>.57</u>	\$ <u>.57</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

MOUNTAINVIEW NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-MTN-J7

	<u>Cost and Profit Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.61	\$48.65	
Dietary		10.19	9.44	
Laundry/Housekeeping/Maint.		<u>11.26</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	67.06	65.79	65.79
Administration & Med. Rec.	\$ <u>3.35</u>	<u>7.03</u>	<u>10.38</u>	<u>7.03</u>
Subtotal		74.09	<u>\$76.17</u>	72.82
<u>Costs Not Subject to Standards:</u>				
Utilities		2.35		2.35
Special Services		.03		.03
Medical Supplies & Oxy.		5.18		5.18
Taxes and Insurance		.70		.70
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$82.36</u>		81.09
Inflation Factor (3.60%)				2.92
Cost of Capital				5.65
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.88
Cost Incentive - For Gen. Serv, Dietary, Laundry, Housekeeping, & Maintenance				-
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(1.13)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$91.66</u>

MOUNTAINVIEW NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Periods Beginning December 1, 1998
AC# 3-MTN-J7

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Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.88
Cost Incentive - For General Service, Dietary, Laundry, Housekeeping, & Maintenance				-
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(1.13)
Minimum Wage Add On				.25
CNA Add On				<u>.75</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$92.41</u>

MOUNTAINVIEW NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,130,275	\$ 5,570 (3) 50,879 (4) 5,631 (5) 474 (5)	\$ - - -	\$2,192,829
Dietary	492,021	848 (5) 15,407 (7)	18,216 (8)	490,060
Laundry	127,416	54 (5)	-	127,470
Housekeeping	232,174	625 (5) 6,534 (7)	9,139 (8)	230,194
Maintenance	183,656	600 (1) 1,093 (3) 318 (5) 5,048 (7)	7,122 (8)	183,593
Administration & Medical Records	342,413	661 (5) 69 (5) 10,414 (7)	15,330 (8)	338,227
Utilities	114,057	3,120 (7)	4,354 (8)	112,823
Special Services	52,530	-	50,879 (4)	1,651
Medical Supplies & Oxygen	260,696	-	11,853 (2)	248,843
Taxes & Insurance	49,773	-	14,648 (3) 1,283 (8)	33,842
Legal Fees	277	8 (7)	14 (8)	271

MOUNTAINVIEW NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Cost of Capital	212,145	2,719 (1) 49,545 (6) 2,085 (7) <u>8,121 (9)</u>	2,806 (8)	271,809
Subtotal	4,197,433	169,823	135,644	4,231,612
Ancillary	50,306	11,853 (2)	-	62,159
Non-Allowable	34,738	7,985 (3) 333 (5) <u>58,264 (8)</u>	42,616 (7) 8,121 (9)	50,583
Total Operating Expenses	<u>\$4,282,477</u>	<u>\$248,258</u>	<u>\$186,381</u>	<u>\$4,344,354</u>
TOTAL PATIENT DAYS	<u>48,083</u>	<u>-</u>	<u>-</u>	<u>48,083</u>
TOTAL BEDS	<u>132</u>			

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Maintenance	\$ 600	
	Cost of Capital	2,719	
	Accumulated Depreciation	8,231	
	Fixed Assets		\$ 8,068
	Other Equity		3,482
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Ancillary	11,853	
	Medical Supplies & Oxygen		11,853
	To disallow non-reimbursable patient drugs DH&HS Account Descriptions State Plan, Attachment 4.19D		
3	Restorative	5,570	
	Maintenance	1,093	
	Nonallowable	7,985	
	Taxes, Insurance & Licenses		14,648
	To allocate auto insurance to the proper cost centers and to reclassify subsequent period expense State Plan, Attachment 4.19D HIM-15-1, Section 2302.1		
4	Restorative	50,879	
	Special Services - Therapy		50,879
	To properly report salaries and fringes HIM-15-1, Section 1412.2		

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

ADJUSTMENT			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nursing	5,631	
	Restorative	474	
	Dietary	848	
	Laundry	54	
	Housekeeping	625	
	Maintenance	318	
	Administration	661	
	Medical Records	69	
	Nonallowable-Daycare	333	
	Other Equity		9,013
	To properly state pension expense		
	HIM-15-1, Section 2142.6 A		
	State Plan, Attachment 4.19D		
6	Cost of Capital - Interest Income	49,545	
	Interest Income		49,545
	To reverse offset of income earned		
	on gift		
	HIM-15-1, Section 202.2 C		
7	Dietary	15,407	
	Housekeeping	6,534	
	Maintenance	5,048	
	Administration	10,414	
	Legal	8	
	Utilities	3,120	
	Cost of Capital	2,085	
	Nonallowable		42,616
	To reverse DH&HS adjustment to remove		
	indirect costs applicable to		
	non-reimbursable cost centers		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

MOUNTAINVIEW NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	58,264	
	Dietary		18,216
	Housekeeping		9,139
	Maintenance		7,122
	Administration		15,330
	Legal		14
	Utilities		4,354
	Taxes, Insurance & Licenses		1,283
	Cost of Capital		2,806
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Cost of Capital	8,121	
	Nonallowable		8,121
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$256,489</u>	<u>\$256,489</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MOUNTAINVIEW NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>132</u>
Deemed Asset Value	4,497,108
Improvements Since 1981	363,138
Accumulated Depreciation at 9/30/97	<u>(1,795,630)</u>
Deemed Depreciated Value	3,064,616
Market Rate of Return	<u>0.067</u>
Total Annual Return	205,329
Return Applicable to Non-Reimbursable Cost Centers	(7,503)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	197,826
Depreciation Expense	82,877
Amortization Expense	-
Capital Related Income Offsets	(6,088)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,806)</u>
Allowable Cost of Capital Expense	271,809
Total Patient Days (Minimum 97% Occupancy)	<u>48,083</u>
Cost of Capital Per Diem	\$ <u><u>5.65</u></u>

MOUTAINVIEW NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-MTN-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.78
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>5.77</u>
Reimbursable Cost of Capital Per Diem	\$5.65
Cost of Capital Per Diem	<u>5.65</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>